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NOTES AND MEMORANDA

THE GERMAN POTASH LAW OF 1910

IN my article on the Potash Industry,¹ published in the November issue of this Journal, some passages may be liable to misunderstanding, and call for a word of explanation. They refer to the controversy between the Prussian government and the American potash buyers concerning the potash law of 1910. It is beyond question true that this law, tho in its terms not discriminatory against the individuals of any nation, nevertheless in fact discriminated against American purchasers, and was designed to discriminate against them. By its wording the law applied to all German potash mines which produced amounts beyond a certain specified allotment; hence technically it would not appear to be discriminatory. But the American potash purchasers held contracts with the only mines which were liable for the supertax imposed by the law on any production in excess of the specified allotments. Moreover, these contracts had been made in such terms as to render them susceptible of a construction whereby American purchasers would be made liable for the payment of this extremely heavy supertax. In other words, not the owners of the German mines, but the American purchasers from them, were the persons threatened by the measure, and meant to be threatened. Certain it is that the result of this combination of circumstances was decidedly unfavorable to American buyers, and to all intents and purposes amounted to discrimination against them.

Whether the administration of President Taft would have been justified under these circumstances in exercising the retaliatory powers given by the tariff act of 1909 is a question of political expediency on which I should hesitate to give an

¹ See page 177 of the November issue.

opinion. Matters of this sort lie outside the economic problems with which my discussion was concerned.

The immediate occasion of the potash law of 1910 was thus the wish to get rid of the American contracts just referred to. Yet the events of previous years had paved the way for drastic control of the industry. The German government had played a large part in the history of the potash industry from its inception; there had been agitation in 1905 for a state potash monopoly; previous measures, such as the Gamp law of 1905 and the mining law of 1907, had failed signally to bring the relief desired for the industry; this bill itself had been under discussion from February until May 1910, — all these circumstances indicate that the German government had long been determined to keep in its hands full control of the industry and of the prices of the products.

That the law has not secured all the ends desired by the German government, and in particular has not prevented an increase in the number of mines and in their output, is now admitted. Neither can it be said to be a measure for conservation, except in the sense that the German government wishes to retain for itself and its subjects the benefits of a natural monopoly of supply. German potash supplies are virtually inexhaustible, and the law of 1910 was neither necessary for conserving them nor designed for that end. It was a tactical manoeuvre directed against the American purchasers, and successful against them because of the unwillingness of the American government to exercise a vigorous influence in their behalf.

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